

Members

Sen. Lawrence Borst, Chairperson
Sen. Thomas Wyss
Sen. Lindel Hume
Rep. William Crawford
Rep. Lawrence Buell



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: August 6, 2003
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
Senate Chambers
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Lawrence Borst, Chairperson; Sen. Thomas Wyss; Sen. Lindel Hume; Rep. William Crawford; Rep. Lawrence Buell.

Members Absent: None.

I. Call to Order

Senator Lawrence Borst, Chairman, called the first meeting of the Commission on State Tax and Financing Policy to order at 10:04 AM. The Chairman then introduced the members of the Commission.

The Chairman explained the purpose of this meeting as informational, and gave a synopsis of the current status of property tax results that have been reported. The Chairman also explained the recent history of the changes that have occurred in the state property tax system.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

II. Staff Report on Preliminary Results of Residential Reassessment by the Legislative Services Agency (LSA)

The Chairman introduced Bob Sigalow, Fiscal Analyst for the LSA, to give a report on residential reassessments.

Mr. Sigalow explained that the information in this report only included residential property results for six of the first counties that have sent tax bills. Mr. Sigalow then went on to explain the information distributed to the Commission (Attachment A). The topics discussed in the report were as follows:

- Marion County Preliminary Data for 03 Residential Reassessment
- Adams County Preliminary Data for 03 Residential Reassessment
- Hamilton County Preliminary Data for 03 Residential Reassessment
- Howard County Preliminary Data for 03 Residential Reassessment
- Vanderburgh County Preliminary Data for 03 Residential Reassessment
- Wells County Preliminary Data for 03 Residential Reassessment

The Chairman commented that the absence of a depreciation table is why older homes have shown a higher change in assessment.

Mr. Sigalow then went on to point out that in Marion County approximately 47% of homes were built before 1960. However, in Washington Township over 62% percent of the homes were built before 1960. Also of significance was that the fact that 96% of the homes in one particular taxing district (49801) in Washington Township were built before 1960. The significant concentration of older homes in this district was a contributing factor to why the increases in tax bills in that area were above the average.

Representative William Crawford asked why these numbers were not reflective the increases that the LSA had predicted in the 2002 Special Session.

Mr. Sigalow answered that the LSA needs more information from the 2002-2003 reassessment to do a more in depth analysis to determine the differences between the actual changes and the projections.

III. Beth Henkel, Commissioner, Department of Local Government Finance

The Chairman then introduced Beth Henkel, Commissioner of the Department of Local Government Finance, to give a status report on the current reassessment.

Ms. Henkel reported that 2/3 of the counties had finished the reassessment. She reported that 30 or so counties had not finished their equalization studies, and 17 counties were going to finish their equalization studies by the end of August. Ms. Henkel also pointed out that 6 to 10 counties would not bill by the end of the year, and many counties would use provisional billing in November.

Representative Crawford asked if Indiana is now on a market value system.

Ms. Henkel responded that Indiana is not a pure market value system, but uses market values for the particular use of a particular property.

Representative Crawford asked if it were possible to have a market value system with a depreciation table.

Ms. Henkel responded that she believed this would take a constitutional amendment.

Representative Crawford asked about the neighborhood factor, and whether it was being applied more subjectively or objectively by assessors.

Ms. Henkel said that the problem with the neighborhood factor was not in its application, but in defining the borders for each neighborhood.

Senator Lindel Hume asked why counties were slowed down in the reassessment process, and why they did not meet their earlier deadlines.

Ms. Henkel answered that there were many factors, but changing to new software systems was the biggest factor.

The Chairman asked if the market value for each property was based on 1999 values, and how closely the assessors monitored this issue.

Ms. Henkel responded that the snapshot for market value is as of March 2001, but that construction costs are based on 1999 costs. She also said that the assessors are not monitored in individual cases, but appeals are monitored.

The Chairman asked if legally you could do the opposite of provisional billing, and reduce budgets and lower the second tax bill.

Ms. Henkel responded that in her opinion this could legally be done.

IV. Status reports from various local officials

The Chairman then introduced Paul Ricketts, Lawrence Township (Marion Co.) Assessor, to give a status report.

Mr. Ricketts stated that there is confusion about the new tax system. Mr. Ricketts reported that there were 7,500 to 8,000 appeals right now in Marion County, and in 1989 there were 12,000 appeals. He said that Marion County would accept appeals until October 20th because some taxpayers will not realize the tax increases until their mortgage company raises their payment since their taxes are in escrow. He told the Commission about threats in response to the increase in some tax bills.

Mr. Ricketts noted that the increased residential bills were due to two factors: shifts among other types of property and the age of the homes. He discussed a Marion County Commercial/Industrial Impact Study (Attachment B) which he distributed to Commission members.

Mr. Ricketts stated that depreciation is still part of the process but the neighborhood factor is applied last to bring the AV within 10% of the 1999 market value.

In response to a question from Rep. Crawford, Mr. Ricketts explained that Center Township is as large as the 5th largest county in the state and all nine township assessors met weekly to discuss county-wide issues with reassessment.

The Chairman then introduced Connie Prible, Wells County Assessor, and explained that Wells County was the first County to finish the reassessment.

Ms. Prible reported that Wells County sent out Form 11 notices in December so they were able to

process appeals before they sent out tax bills. Wells County had less than 10 appeals from the last two reassessments, and there were 160 appeals this year. She commented that Wells County did not see the increases that appeared in Marion County. Ms. Prible said most tax bills went down. She said that the reassessment process took a lot longer this year with the computation of equalization and the neighborhood factors after the data was collected and entered. Ms. Prible also reported that she felt we have a good system and should wait for more data before we know how it could be improved.

Representative Crawford asked Ms. Prible if they assessed exempt property and if she felt that most exemptions were in line with their purposes.

Ms. Prible reported that they do assess exempt property but it was difficult to evaluate its qualifications.

The Chairman asked if there were many farming appeals.

Ms. Prible responded that most farmers taxes went up, but not as much as thought they would, and the 60% PTRC credit on the school general fund did help farmers within those districts. She noted that farm assessments were based on income capitalization so the 30% floor on depreciation is a major issue which needs to be evaluated.

Senator Borst asked if Wells County had eliminated the inventory tax.

Ms. Prible stated that they had provided for the 100% inventory exemption but this did not help with the issue of depreciable personal property.

The Chairman then introduced Kathy Price, Perry Township (Marion Co.) Assessor, to report to the Commission.

Ms. Price reported that Perry Township's hardest hit areas were the Beech Grove and Homecroft areas. She also reported numerous threats she had received.

The Chairman recognized the problem in these areas. He said that the Commission is aware of the problem of senior citizens that have been in a house for many years, and the big increase in their assessment under the new system. The Chairman said that the Commission and the General Assembly would address this problem in some way.

The Chairman then introduced Gail Sims, Jefferson County Assessor and President of Indiana County Assessors Association, to give a status report.

Ms. Sims discussed the property tax issues facing Madison, as well as issues facing all county assessors. She noted disparity in assessment of older properties and business properties in Madison and was concerned over the impact of the new assessment on small businesses and residents in older homes.

The Chairman and Ms. Sims then discussed the cost per parcel of the reassessment and the Chairman asked the Association to collect information on the cost of reassessment.

The Chairman then introduced Jim Steele, Financial Advisor to the Indianapolis City County Council.

Mr. Steele discussed the handouts distributed to the Commission members (Attachment C). He pointed out four factors that contributed to the increase in tax bills in Marion County. First, he noted

that residential tax bills increased due to the shift from other property types. Second, there was a significant increase in exemptions and the new calculation of the state homestead credit. Third, he noted that there was a significant increase in the amount of levy set aside for appeals. Finally Mr. Steele highlighted the levy increases which occurred in Marion County.

Many members of the Commission were concerned with the amount of money set aside for appeals. There was a discussion by the Commission on the ability to use this money for taxpayer relief, if in fact it is not used to pay for appeals.

IV. Other Testimony

The Chairman then recognized Mayor Bart Peterson of Indianapolis.

Mayor Peterson discussed the affects of reassessment as well as what his administration has done to help give relief to taxpayers. Mayor Peterson commented that although the averages do not show an increase, the outliers that have seen 200% to 300% increases should receive relief. The Mayor made four suggestions which could help with the outliers. He suggested that the state law be changed to give more immediate relief to those individuals who qualify for the homestead credit but did not apply for it. Second, he suggested that increased assessments should be phased in or capped. Third, the Mayor suggested that there be a credit for older homes. Finally, he suggested the credit for senior citizens should be expanded.

The Chairman noted that the cap on increases in assessments was discussed in the past but concerns were raised about the ability of software to implement this provision. He also suggested that the administration may be able to find a way to fix the homestead problem.

The Chairman then introduced Julie Barr, with the Englewood Development, representing Hoosier Uplands Economic Development Corporation.

Ms. Barr discussed the affect the new property tax system has had on multi-family housing units set aside for low to moderate income families.

The Chairman introduced Gene Stewart, Forrestal Group, Inc in Evansville, who also discussed the affect of the appraisal process on low income subsidized housing, as well as discussing the approach other states have taken.

The Chairman entered a letter by, Scott King, Mayor of Gary into the record.

The Chairman then recognize John Molitor, Historic Landmarks Foundation of Indiana, to testify.

Mr. Molitor discussed different approaches to giving relief to communities and people who help preserve historic landmarks, but have seen significant increases in their property tax bills.

The Chairman then recognized David Bottorff of the Association of Counties to testify.

Mr. Bottorff noted that he has been working with auditors and assessors to find a solution to the problem of providing relief for those individuals who did not file for the homestead credit.

V. Other Business

The Chairman next spoke on the future meetings of the Commission. He said that the Commission would meet in September, October and November. He said that the new property tax system as well

as other issues would be on the agenda. The Chairman commented that the LSA would continue to collect and analyze data, as well as look at the recommendations mentioned in the testimony today.

IV. Adjournment

The Chairman adjourned the meeting at 12:50 PM.